

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST

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THE FOLLOWING REPEATS BELGRADE 5939 ACTION  
SECSTATE INFO ZAGREB 26 NOVEMBER 1974. QUOTE:

LIMITED OFFICIAL USE BELGRADE 5939

E.O. 11652: N/A

TAGS: EEWT, ETRA, YO

SUBJ: TRADE BILL - GENERALIZED TARIFF PREFERENCES

REFS A. STATE 259183 B. BELGRADE 4942

1. WE CONSIDER REINTRODUCTION INTO TRADE BILL OF PROVISION  
EXCLUDING YUGOSLAVIA FROM ELIGIBILITY FOR GENERALIZED  
PREFERENCES EXTREMELY DISTRESSING DEVELOPMENT.

2. PASSAGE OF BILL CONTAINING THIS PROVISION WOULD, IN OUR  
VIEW, BE BOTH COUNTERPRODUCTIVE AND UNJUSTIFIED. IT IS LIKELY TO

HAVE HIGHLY ADVERSE EFFECT ON OUR COMMERCIAL,  
ECONOMIC AND OVERALL INTERESTS IN YUGOSLAVIA, AND  
NEGATIVELY INFLUENCE BROADER U.S. INTERNATIONAL POLICY  
CONSIDERATIONS.

IT WOULD IGNORE YUGOSLAVIA'S STATUS AS NON-ALIGNED  
COUNTRY WITH WESTERN ORIENTED MARKET ECONOMY.

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3. GOY IS CERTAIN TO CONSIDER DENIAL OF PREFERENTIAL STATUS AS INCONSISTENT WITH PRINCIPLES REPEATEDLY ENUNCIATED BY LEADERSHIP OF BOTH COUNTRIES. NIXON-TITO JOINT STATEMENT EMPHASIZED AGREEMENT ON NEED FOR DEVELOPMENT OF ECONOMIC COOPERATION. PRESIDENT FORD LETTER OF AUGUST 10, 1974, CONTAINED ASSURANCE THAT PRINCIPLES SET FORTH IN JOINT STATEMENT WOULD CONTINUE TO FORM FRAMEWORK OF US-YUGOSLAV RELATIONS. STATEMENT AT END OF SECRETARY KISSINGER'S VISIT NOVEMBER 4, 1974, STRESSED READINESS FOR FURTHER PROMOTION AND EXPANSION OF COOPERATION, ESPECIALLY IN ECONOMIC AREA.

4. YUGOSLAV ECONOMIC LEADERSHIP HAS REPEATEDLY EMPHASIZED TO US AS WELL AS TO HIGH-LEVEL U.S. VISITORS KEY IMPORTANCE THEY ATTACH TO PREFERENTIAL STATUS -- BOTH BECAUSE OF ITS SIGNIFICANT BENEFICIAL COMMERCIAL EFFECT, AND BECAUSE IT GIVES APPROPRIATE RECOGNITION TO COUNTRY'S INDEPENDENCE AS STATUS AS LDC.

5. YUGOSLAVIA IS MAKING INTENSIVE EFFORT TO IMPROVE BALANCE OF PAYMENTS THROUGH INCREASED SALES TO U.S. AND OTHER FREE WORLD COUNTRIES. IF YUGOSLAVS ARE DENIED BENEFIT OF PREFERENCES FOR EXPANSION OF EXPORTS TO U.S., IMPORT OF AMERICAN-MANUFACTURED CAPITAL EQUIPMENT WILL ALMOST CERTAINLY BE CUT BACK -- THUS NEGATING SUCCESSFUL CAMPAIGN OF RECENT YEARS TO DEVELOP NEW MARKETS HERE.

6. POLICY MAKERS HERE WHO HAVE WORKED HARD WITH US FOR GROWTH OF US-YUGOSLAV ECONOMIC COOPERATION WOULD CONSIDER DENIAL OF PREFERENTIAL STATUS AS SLAP IN FACE, AND ACTION WOULD LIMIT THEIR ABILITY TO CONTINUE ADVOCATE SUCH POLICIES WITHIN GOY. SOURING OF OVERALL ATMOSPHERE WHICH WOULD RESULT FROM DENIAL LIKELY TO HAVE HARMFUL EFFECT ON NUMEROUS ASPECTS OF BILATERAL RELATIONS, INCLUDING TRADE, JOINT VENTURES AND ACTIVITIES OF NEWLY ESTABLISHED CHAMBERS OF COMMERCE.

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7. BENEFICIARIES WOULD BE SOVIETS WHO HAVE LONG EMPHASIZED HERE THEIR READINESS TO FILL VOID LEFT BY EEC AND US RESTRICTION ON TRADE WITH YUGOSLAVIA THROUGH GENEROUS CREDITS AND INCREASED PURCHASES.

8. GOY HAS INDICATED INTEREST IN COOPERATION WITH US IN FORTHCOMING GENEVA ROUND MULTILATERAL TRADE NEGOTIATIONS, AND OTHER FORUMS WORKING ON INTERNATIONAL ECONOMIC REFORM. COOPERATION IS LIKELY

TO INCLUDE HIGHLY USEFUL YUGOSLAV EFFORTS TO INFLUENCE POSITIONS OF NON-ALIGNED AND OTHER LESS DEVELOPED COUNTRIES, OF WHICH YUGOSLAVIA IS A LEADER. EXCLUSION OF YUGOSLAVIA FROM TRADE BILL BENEFITS WOULD ALMOST CERTAINLY DEPRIVE U.S. OF THIS POTENTIALLY IMPORTANT SOURCE OF SUPPORT IN DIFFICULT NEGOTIATIONS.

9. INCLUSION OF YUGOSLAVIA IN GROUP OF DEVELOPED NON-MARKET ECONOMY COUNTRIES WOULD BE HIGHLY INAPPROPRIATE AND WOULD FLY IN FACE OF ECONOMIC AND POLITICAL REALITIES. YUGOSLAVIA IS LESS DEVELOPED COUNTRY IN WHICH INDIVIDUAL BUSINESS ENTERPRISES MAKE ECONOMIC DECISIONS BASED ON MARKET CONSIDERATIONS. 75 PERCENT OF TRADE IS WITH FREE WORLD. YUGOSLAVIA IS FIRMLY MAINTAINED INDEPENDENCE FROM INTERNATIONAL COMMUNIST INFLUENCES. ITS CITIZENS HAVE FREEDOM TO EMIGRATE OR WORK ABROAD (BELGRADE 5757).

10. WE REALIZE DEPARTMENT IS FULLY AWARE OF CRUCIAL IMPORTANCE THIS ISSUE, BUT HOPE EMBASSY REVIEW ABOVE MAY BE HELPFUL.  
MILLER

UNQUOTE KISSINGER

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